

POLICY FOR COLLECTIONS AND WRITE-OFF OF ACCOUNTS RECEIVABLE

Guided by the policy provided herein, the Administrative Services Director shall establish specific procedures and dollar thresholds regarding collections and the write-off of accounts receivable to the City. From an accounting perspective, aging accounts receivable should generally be written off during the fiscal year in which the account is no longer expected to be collectable. However, the decision regarding actual collection efforts is separate. (Subsequent collection of an account previously written-off is treated as new revenue.)

The Administrative Services Director or his designee shall establish and maintain consistent working guidelines for the point at which collection efforts will no longer be feasible or cost effective. Notwithstanding these guidelines, exceptions will sometimes be appropriate on case-by-case basis. Each type of account and each account may have specific legal or administrative nuances that may reasonably impact expectation of collection.

The following guidelines should be applied in regarding aging accounts receivable:

- Aging accounts receivables should be reviewed monthly to encourage timely payment. Dunning notices should be mailed and penalties should be imposed where appropriate.
- The estimated cost of collection should not exceed the value of the delinquent account. Delinquent accounts over the current deemed minimum account balance threshold (\$25.00 in 2004) and 90 days past due should be promptly sent for collection. The reasonable cost of any contract collection efforts should be added to the delinquent balance but the collection fee should not be recognized as revenue until the amount is received.
- Sometimes it may not be readily evident and/or practical to determine the precise time a receivable becomes uncollectible on an individual account basis. On an interim basis, the Revenue Division may elect to estimate and maintain an allowance for uncollectible accounts as a contra asset account as a best estimate of the value of uncollectible accounts that still remain on the City's balance sheets.

- Receivables in general, should be substantiated by documentation evidencing the amount and validity of the receivable. However, further written evidence should be maintained by the Revenue Division to substantiate the probable collection for any account deemed collectible over three years old.

To the maximum practical extent, consistent application of policy in this area is the goal. However, circumstances vary, and prudent judgment by staff is relied upon in making exceptions.

Adopted - April 13, 2004